



Developing Housing Through Public-Private Partnerships

Bourgas, Rousse, and Stara Zagora, Bulgaria

Background

With the increasing devolution of responsibility for housing and land-use planning to local governments in the 1990s, Bulgarian municipalities saw a significant drop in housing production. To stimulate production, municipalities wanted to remove existing constraints to housing development and introduce private development of public land. The Bulgarian cities of Bourgas (population 226,000), Rousse (population 210, 000), and Stara Zagora (population 188,000) developed a transparent, replicable process that allows municipal officials to create public-private partnerships for development of housing projects on municipal land.

Innovation

To foster the competitive development of public land, the cities developed a Request for Proposals (RFP) process. The process includes mandatory performance standards, the time frame for construction, procedures for submitting proposals, and the criteria by which proposals will be evaluated. As the first step in the RFP process, the city identifies appropriate sites for which it will solicit proposals, conducts market analysis, and simplifies the permit approval process as much as possible. Next, the local government prepares the RFP, defining proposal selection criteria and relocation and site clearance responsibilities. When that is complete, a model development and disposition agreement is prepared to specify infrastructure provision, financing, and scheduling. Municipal proposal review and selection committees choose the winning developer, and the final agreement is negotiated between the developer and municipality. In the case of Bulgarian cities, land ownership remains technically in municipal hands, although building rights are transferred to the developer. After developing the RFP process, the cities used the process to solicit detailed proposals for housing development from private developers through fair and open competition.

The RFP process is innovative in Bulgaria because it represents a structured, transparent procedure for introducing municipally-owned properties into the market for privately developed projects. Previously, municipal construction enterprises were responsible for construction. Using RFPs allows cities to promote development and to use municipal land resources strategically. Cities are compensated for development rights; instead of fees, developers give the cities equity positions in the projects, typically a number of housing units which, in turn, cities allocate to households whose properties have been “taken” for public purposes. Because there may be some complications associated with cities receiving financial remuneration for development rights (e.g., it might reduce subventions from the state), public-private partnerships allow for different forms of compensation that can be directed toward projects/activities with a “public purpose.”

Results

This practice was initiated in November 1993, and by January 1995 all three cities had selected sites, prepared RFPs, reviewed proposals, and awarded development rights to eight sites. Projects have been constructed in all three cities, producing more than 200 housing units, along with office, retail, and garage space. The RFP process has already been replicated by other Bulgarian towns and has highlighted many legal and policy reforms needed to support private land and housing markets in Bulgaria. The process has also resulted in the development of local ordinances establishing procedures for cities to use the RFP process to promote private development of municipally-owned land. The process is replicable throughout CEE and NIS wherever cities own significant amounts of developable land.

Summary

- The Cities of Bourgas, Rousse, and Stara Zagora solicited proposals to develop private housing projects on municipal land. The process has resulted in construction of more than 200 new housing units and the development of local ordinances establishing procedures for cities to use the RFP process to promote private development of municipally-owned land.

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